

Request for City Council for the City of Ingleside, Texas

Subject: *CenterPoint Energy 2015 Annual GRIP Adjustment for the South Texas Division*

Submitted By: *Jim Gray*

For The Agenda Of: *April 14, 2015*

Attachments: *Letter from CenterPoint Energy*

Summary Statement: *This is the annual review and adjustment by CenterPoint Energy. We have 45-days to make determination to either accept or delay the rate change. If the Council accepts the change, the increase in rates take affect the following month. If the Council makes no decision, the increase will take affect the following month after we accept. Because this is a justified Annual GRIP Adjustment rate increase, we cannot lobby against the rate increase other than to delay it by 90-days. The average residential customer will see a \$2.30 increase per month.*

Recommended Action: *Staff recommends the Council to request the 90-day extension of the 2015 Annual GRIP Adjustment.*



March 31, 2015

CenterPoint Energy
1111 Louisiana
Houston, TX 77002-5231
P.O. Box 2628
Houston, TX 77252-2628
713 207 1111

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MAR 31 2015

Mayor and City Council
City of Ingleside
Ingleside, Texas

City of Ingleside

Re: CenterPoint Energy 2015 Annual GRIP Adjustment for the South Texas Division

Dear Madam or Sir:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company"), files the enclosed tariffs and supporting documents, including a CD of the electronic files, with the City of Ingleside ("City") consistent with Section 7.7101 of the Railroad Commission of Texas ("Commission") Gas Services Division Rules and Section 104.301 of the Texas Utilities Code to establish the annual gas reliability infrastructure program ("GRIP") interim rate adjustment ("IRA") for the Company's South Texas Division, which includes the City. The proposed IRA will affect rates for natural gas service customers located in the City. Simultaneously with this filing, CenterPoint makes the same GRIP filing with the Commission for customers located in the environs and cities of the South Texas Division that have ceded original jurisdiction to the Commission.

CenterPoint consistently supplies its customers in the South Texas Division with safe and dependable natural gas service by prudently investing in additions and upgrades to its delivery system. The Company will continue to prudently invest in its infrastructure in order to improve its natural gas service to its customers and to anticipate and meet their needs under all operating conditions. The GRIP program enables a gas utility such as CenterPoint to begin recovery of its incremental capital investment in the system, subject to a prudence review in its next rate case. Consistent with Section 104.301 and Commission precedent, the City's review of this GRIP filing is limited to a ministerial review to ensure compliance with the GRIP statute.

Pursuant to applicable law, the proposed IRA will become effective on May 30, 2015, unless the City suspends that date for a period of no longer than forty-five (45) days. The approved IRA will be applied to the monthly customer charge and will remain in effect until superseded by the earlier of (1) the effective date of the Company's next annual GRIP adjustment for the South Texas Division; or (2) the issuance of a final order in a rate setting proceeding for the South Texas Division.

As detailed in the attached schedules and supporting material, the Company invested \$29,222,571 in its South Texas Division in calendar year 2014 and the applicable IRA is:

Rate Schedules	Current Base Charge	2015 Interim Adjustment	Adjusted Charge
R-2085-GRIP 2015 Residential	\$17.89 per customer per month	\$2.30 per customer per month	\$20.19 per customer per month
GSS-2085-GRIP 2015 General Service Small	\$27.96 per customer per month	\$4.73 per customer per month	\$32.69 per customer per month
GSLV-616-GRIP 2015 General Service Large Volume	\$148.09 per customer per month	\$28.16 per customer per month	\$176.25 per customer per month

Along with and in support of the IRA, CenterPoint also includes the following:

- (a) An earnings monitoring report showing the Company's earnings for the South Texas Division during the 2014 calendar year (under the "Earnings Report" section of the enclosed filing).
- (b) An Interim Cost Recovery and Rate Adjustment Report containing accounting schedules and project reports for the GRIP Adjustment Period including a description of (i) the projects undertaken during the GRIP Adjustment Period (ii) the investment to provide utility service in the South Texas Division, which were both completed and placed in service during the GRIP Adjustment Period, (iii) the Company's prior utility investments in the South Texas Division that were either retired or abandoned during the GRIP Adjustment Period, and (iv) the cost, need and customers benefited by those investments and retirements (under the "Investment and Retirement Project Report" section of the enclosed filing).
- (c) The Company's calculation of the GRIP Adjustment amount to go into effect on the later of the Planned Effective Date or the end of any suspension period imposed (under the "Initial Adjustment Report" section of the enclosed filing).
- (d) Affidavits by Kristie Colvin, Tony A. Gardner and Randal M. Pryor (under the "Affidavits" section of the enclosed filing).

- Ms. Colvin's affidavit verifies (i) that the South Texas Division's books and records are kept in accordance with the rules of the Commission and (ii) that the reports enclosed accurately reflect the South Texas Division's books and records related to the information in those reports.
- Mr. Gardner's affidavit verifies the notice of the GRIP filing through customer bill inserts.
- Mr. Pryor's affidavit concerns the reimbursement of relocation expenses.

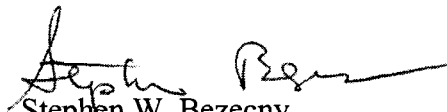
In addition, the source documentation and workpapers supporting the data and calculations contained in the foregoing reports is maintained in CenterPoint's electronic databases which are available for review. To schedule an opportunity to review the electronic databases or any hard copy project files related to the new investment or retirements, please contact me at (713) 207-5141.

Notice of this proceeding will be provided to affected customers in the South Texas Division by bill insert or by separate mailing within 45 days after the date of this filing in accordance with the applicable law.

Please accept for filing the above mentioned tariffs, filing package and enclosures and return the enclosed copy of this letter with your file mark thereon to acknowledge such filings for our records.

Please do not hesitate to contact us with any questions you may have regarding this filing.

Sincerely,


Stephen W. Bezecky
Director of Regulatory Affairs

Attachments

cc: Mr. Randal M. Pryor
Mr. George Hepburn
Ms. Gracy Rodriguez

South Texas Division GRIP filing

FAQs

What is it?

- An interim rate adjustment allowed by Texas Statute (Texas Utilities Code §104.301) that allows utilities to recover their costs related to additional invested capital without filing a full rate case.

Who can make GRIP filings?

- A gas utility with newly invested capital not already included in existing rate base can make an initial GRIP filing but only if the gas utility has filed a rate case within the preceding two years. Thereafter, an annual GRIP filing occurs. A full rate case must be filed no later than five and one-half (5 ½) years after the implementation of the initial interim rate adjustment.

When was CenterPoint Energy's most recent rate case?

- CenterPoint filed its last rate case for the South Texas Gas Division (GUD No. 10038) on December 3, 2010, and the final decision was rendered on April 18, 2011.

When was the Company's most recent GRIP filing?

- CenterPoint made its fourth GRIP filing for the South Texas Gas Division on March 31, 2015.

How is the adjustment amount calculated?

- The GRIP filing adjustment is intended to capture the cost of net incremental investment over that investment included in the last rate case; or since the most recent GRIP filing.
- Costs included are return (profit) on that investment, interest, depreciation expense, and certain taxes. Factors used to calculate costs must be the same as those reflected in the final order, ordinance or settlement agreement approving current rates.

What is required of the utility?

- The new tariff or rate schedule must be filed with the appropriate regulatory authority (City and/or Railroad Commission) 60 days before the proposed implementation date.
- Notice to all affected customers must be provided within 45 days of filing with the regulatory authority.
- In each annual GRIP filing, we must provide the following information:
 - Annual Project Reports describing all new investments and retired plant.
 - The need for, the cost of, and the customers benefitted by the new investment.
 - An annual earnings monitoring report showing earnings and return in the past year.
 - If the return is more than 75 basis points (.75%) above the currently approved rate of return for South Texas Gas Division (8.75%), we must explain why the current rates are not unreasonable or in violation of law.
- The adjustment must be recalculated annually.

What is the role of the regulatory authority?

- Within 60 days after the filing, the regulatory authority may suspend implementation of the proposed adjustment for up to 45 days.

- Once the interim increase in rates has been reviewed as part of a full rate case, the regulatory authority may order CNP to refund any amounts collected if the investment is found to be unnecessary or imprudent.
- The regulatory authority may open an inquiry under Texas Utilities Code §104.151 and set new rates if the current rates are found to be unreasonable.

Who is CenterPoint Energy?

- CenterPoint Energy provides natural gas distribution service to approximately 3.3 million residential, commercial and industrial customers in the states of Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. CenterPoint Energy serves approximately 140,000 customers in its South Texas Division that will be impacted by this filing.

What is CenterPoint Energy filing?

- On March 31, 2015, CenterPoint Energy is making a Gas Reliability Infrastructure Program (GRIP) filing which is an interim rate adjustment allowed by Texas Statute (Texas Utilities Code § 104.301) that allows utilities to recover their costs related to additional invested capital without filing a lengthy and costly rate case.

Customers in what cities will be affected by the Company's filing?

- This filing is for the entire South Texas Division including the environs customers. We are filing with the cities below:

Agua Dulce	Giddings	Odem	Universal City
Alice	Gregory	Orange Grove	Victoria
Aransas Pass	Hondo	Palacios	Yorktown
Austin	Ingleside	Point Comfort	
Bastrop	Ingleside on the Bay	Port Lavaca	
Bishop	Jourdanton	Portland	
Buda	Karnes City	Poteet	
Cibolo	Kingsville	Poth	
Converse	Kyle	Premont	
Driscoll	LaCoste	Refugio	
Edna	La Grange	Runge	
Elgin	Laredo	Schulenberg	
Falls City	Marion	Seadrift	
Freer	Mathis	Smithville	
Ganado	Niederwald	Taft	
Garden Ridge			

- The cities below have given up original jurisdiction. These cities will be included as part of the rate filing made with the Railroad Commission:

Beeville	Kenedy	Schertz
Eagle Lake	New Braunfels	Seguin
El Campo	Nordheim	Selma
Floresville	Pleasanton	Sinton
Goliad	San Diego	Weimar
Hallettsville	San Marcos	

- The filing with the Railroad Commission will include the unincorporated areas below:

Banquete	Hebbronville	Pettus
Blessing	Inez	Placedo
Bloomington	Lolita	Skidmore
Bruni	Louise	Tuleta
Campbellton	McQueeney	Vanderbilt
D'Hanis	Mirando City	
Edroy	Oilton	

What customers are affected and how?

- The customers affected in this GRIP filing are the same customers affected by the last rate case of the South Texas Division (Residential, General Service Small and General Service Large Volume Customers).
- The rules permit the interim rate adjustment (upward or downward) to be applied to the monthly customer charge or initial block rate. We plan to apply the GRIP rate to the monthly customer charge only.
- The total increase of \$4,237,299 has been allocated among customer groups in the same manner as the current rates established in GUD No. 10038. The proposed effective date is May 30, 2015. Once it goes into effect, the GRIP interim rate adjustment will increase the customer charge that is applicable to customers served under the indicated sales service rate schedules within the South Texas Division as follows:

Rate Schedules	Current Base Charge	2015 Interim Adjustment	Adjusted Charge
R-2085-GRIP 2015 Residential	\$17.89 per customer per month	\$2.30 per customer per month	\$20.19 per customer per month
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